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Report Highlights: Post forecasts Vietnam's rice exports in calendar year (CY) 2009 to reach 5.2 million tons, even though CY 2009 rice production is estimated not to be as high as that of CY 2008. The Vietnamese government set its rice export target for CY 2009 at 4.5-5.0 million tons, due to carry-over stocks and expected good production. Despite unfavorable weather and economic conditions, Vietnam's total rice production for CY 2008 increased to a new record of 36.9 million tons. The value of Vietnam's rice exports in CY 2008 set a new record of \$2.9 billion.

Post forecasts Vietnam's CY 2009 corn production at 4.8 million tons, mostly due to better yields and increased planting area. CY 2008 corn imports into Vietnam amounted to 610,000 tons, and Post forecasts CY 2009 corn imports at 700,000 tons, due mainly to high demand from the feed industry.

Post estimates Vietnam's wheat imports for the marketing year (MY) 2008/2009 to approximate the MY 2007/2008 volumes. Wheat imports from the United States may decrease, mostly due to competition from Australia. Vietnam's wheat imports for MY 2007/2008 only reached 1.05 million tons, due to relatively high global wheat prices during the first half of CY 2008. Vietnam's wheat imports from the United States reached a record 112,000 tons, mostly due to competitive pricing.

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SITUATION AND OUTLOOK

2008 was a remarkable year for Vietnam's rice industry. Despite both unfavorable weather and economic conditions, Vietnam's total rice production for CY 2008 was a record 36.93 million tons, a 2 million ton increase of paddy production over CY 2007. Rice export volumes increased only 3.3 percent over CY 2007, while their value doubled over CY 2007's level, due to the high global rice prices.

Vietnam's CY 2009 rice export target was set at 4.5-5.0 million tons, thanks to carry-over stocks and expected good production. Post's forecast for CY 2009 export volume is slightly higher at 5.2 million tons, due mostly to higher figures for carry-over stocks. Export volumes will be controlled according to a whole-year export target, rather than monthly targets, according to Vietnam's new rice export policy for 2009. Export contract registrations and the Minimum Export Price (MEP) are still deemed necessary to benefit the exporters and the rice growers.

Due to high demand from the Vietnamese feed industry, Post forecasts Vietnam's CY 2009 corn production at 4.8 million tons, thanks to both better yield and larger planted area. According to the Ministry of Agriculture and Rural Development (MARD), Vietnam produced 4.5 million tons of corn in CY 2008, an increase of almost 8 percent over CY 2007. The planted area of CY 2008 increased by a little over six percent, but the average yield only saw a one percent increase.

Post forecasts CY 2009 Vietnamese corn imports to increase to around 700,000 tons, in response to strong demands for this key feed ingredient. Corn imports from the United States should reach 25,000 tons, due to strong competition from India and Argentina.

Corn exports from the United States to Vietnam in CY 2008 were 23,000 tons, compared with almost 30,000 tons in CY 2007. This was most likely due to the rise in global commodity prices that made U.S. corn less competitive into the Vietnamese market, the total size of which in CY 2008 was 610,000 tons, a slight increase over CY 2007. MARD data shows that there was no significant growth of the hog and poultry industries in CY 2008 because of the disease incidents hindering the industries' growth.

Post estimates Vietnam's MY 2008/2009 (July-June) wheat imports to be unchanged from MY 2007/2008 at slightly over one million tons. Wheat imports from the United States, however, may decrease this year, due to an anticipated increased Australian presence.

Vietnam's wheat imports for MY 2007/2008 reached 1.05 million tons, down from 1.16 million tons in MY 2006/2007, due to relatively high wheat prices in the first half of CY 2008. Wheat imports from the United States, however, reached a record volume of 112,000 tons, thanks to more competitive U.S. wheat prices as compared to Australia.

1. RICE

STATISTICAL TABLES

Table 1.1 Vietnam's Production, Supply and Demand for Rice

Rice, Milled Vietnam	2007			2008			2009		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Jan 2008			Market Year Begin: Jan 2009			Market Year Begin: Jan 2010		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Area Harvested	7,412	7,412	7,412	7,290	7,290	7,310			7,290
Beginning Stocks	1,392	1,392	1,392	2,012	2,007	2,018			1,843
Milled Production	24,375	24,415	24,376	23,500	23,504	23,775			23,795
Rough Production	36,932	36,992	36,933	35,606	35,612	36,023			36,053
Milling Rate (.9999)	6,600	6,600	6,600	6,600	6,600	6,600			6,600
MY Imports	400	300	300	300	300	400			400
TY Imports	400	300	300	300	300	400			400
TY Imp. from U.S.	0	0	0	0	0	0			0
Total Supply	26,167	26,107	26,068	25,812	25,811	26,193			26,038
MY Exports	4,649	4,800	4,650	5,200	5,200	5,200			5,000
TY Exports	4,649	4,800	4,650	5,200	5,200	5,200			5,000
Total Consumption	19,506	19,300	19,400	19,039	19,150	19,150			19,150
Ending Stocks	2,012	2,007	2,018	1,573	1,461	1,843			1,888
Total Distribution	26,167	26,107	26,068	25,812	25,811	26,193			26,038
Yield (Rough)	5.	5.	4.9829	5.	5.	4.9279			4.9455

1.1 PRODUCTION

Table 1.2 Vietnam's Area, Yield, and Production for Rough Rice (as of March 2009)

Marketing Year	2007 Revised		2008 Estimate		2009 Forecast	
Harvested Area (tha)	Old	New	Old	New	Old	New
Winter ¹	1,846	1,846	1,820	1,820		1,810
Spring ²	2,971	2,971	2,970	2,990		2,980
Autumn ³	2,595	2,595	2,500	2,500		2,500
TOTAL	7,412	7,412	7,290	7,310		7,290
Yield (mt/ha)						
Winter	4.29	4.29	4.22	4.22		4.25
Spring	5.83	5.83	5.60	5.70		5.70
Autumn	4.50	4.50	4.52	4.52		4.55
AVERAGE	4.99	4.99	4.89	4.93		4.94
Production (tmt)						
Winter	7,919	7,919	7,680	7,680		7,692
Spring	17,336	17,336	16,632	17,043		16,986
Autumn	11,678	11,678	11,300	11,300		11,375
TOTAL	36,933	36,933	35,612	36,023		36,053

¹ Lua Mua (10th Month), ² Winter-Spring, ³ Summer-Autumn

Source: MARD, Post estimates

Estimate for MY 2008 (MY began January 2009)**Spring Crop**

According to MARD, the total planting area reached 2.98 million hectares as of mid-March 2009. Southern provinces have been harvesting, and planting in the north has started earlier than last year thanks to favorable weather conditions. The Northern provinces have planted around 1.1 million hectares as of mid-March. The main rice growing provinces in the North Central Coast and Red River Delta have finished their planting, whereas the provinces in mountainous areas are still planting.

Autumn Crop

MARD planned the planting acreage for the 2008-2009 autumn crop to be equal to that of the 2007-2008 autumn crop. Post estimates that the 2008-2009 autumn planting area will be smaller compared with that of 2007-2008, but bigger than that of 2006-2007 and higher than Post's estimate of August 2008 (see Table 1.2).

Review for MY 2007 (MY began January 2008)

Despite facing adverse weather and economic conditions in MY 2007, Vietnam achieved a record paddy rice production of 36.93 million tons, which was 2.2 million tons higher than MY 2006's production.

Spring Crop

An unusual cold spell in the north of the country in early CY 2008 killed about 148,000 hectares of mature plants and 10,000 hectares of seedlings. The spring crop in the north, however, only ended up with a delayed harvest, which did not significantly impact the overall output. The spring harvest in the Mekong River Delta (MRD), on the other hand, produced Vietnam's exportable surplus, rising to a record 9.7 million tons; more than 570,000 tons higher than the same crop's harvest in CY 2007.

Autumn Crop

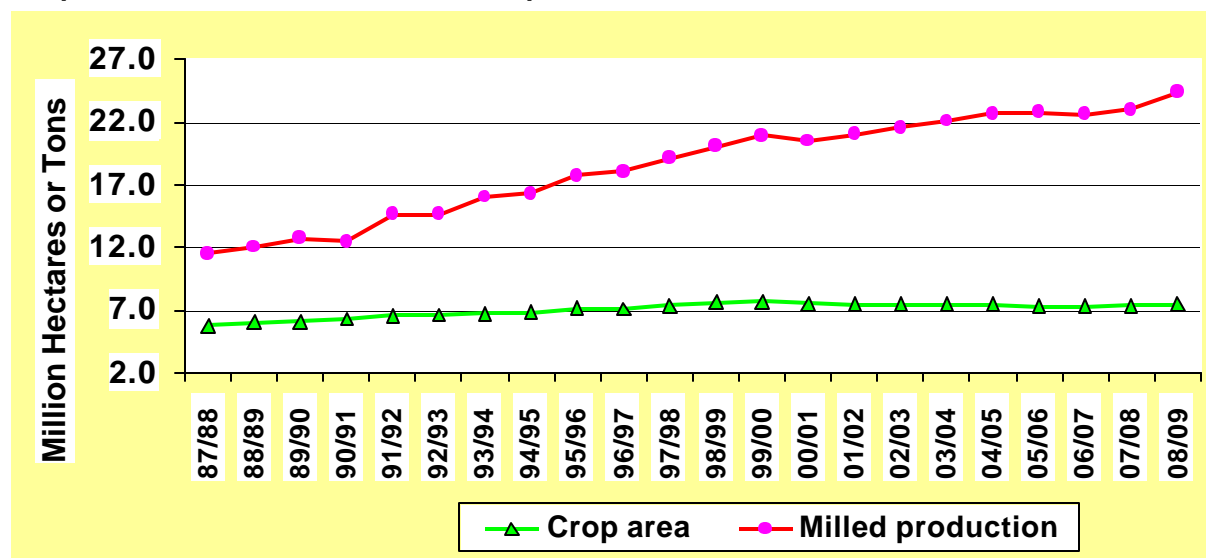
The MRD, the main region for this crop, contributed 1.1 million more tons of paddy than it had in the 2007 autumn crop, which resulted from a significant increase in rice planting acreage.

Winter Crop

The heavy rain storms and flooding in the Northern provinces in October 2008 badly affected about 274,000 hectares of agricultural land. However, the total rice area affected was only around 28,000 hectares, since the time of the flooding was harvest time for almost all provinces in the north. The flooding caused the average rice yield to drop only by 0.06 tons per hectare, reducing northern Vietnam's paddy production by only 50,000 tons.

The overall average yield for the winter crop was 0.06 tons per hectare higher than last winter's crop. Total winter crop paddy rice production, however, was 520,000 tons lower than last winter's crop, due to reduced planting area.

Graph 1.1 Vietnam's Historical Rice production and area



Source: USDA/FAS/OGA/IPA

MRD Rice Production

The Cuu Long (Mekong River) Delta Rice Research Institute expects a bumper winter-spring crop in MY 2008, with more than 10 million tons of paddy harvested, due to the fact that the incidence of diseases has fallen sharply.

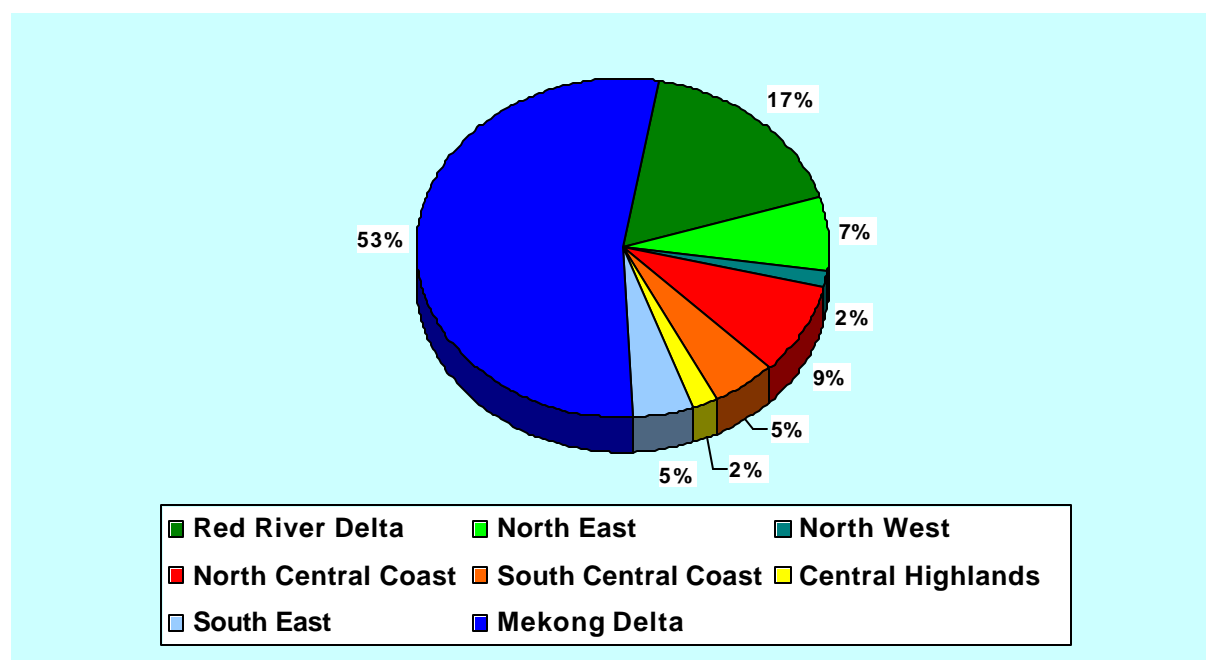
The MRD is spread across 12 provinces that collectively have about 2.97 million hectares of farmland, and produces over 50 percent of Vietnam's rice and more than 90 percent of the

country's rice exports. The MRD is expected to produce about 19.9 million tons of paddy in MY 2008.

While the MRD's population is 17 million out of Vietnam's 85 million people, the MRD is the only place in Vietnam that has a significant rice surplus, which is supplied all over Vietnam and exported. The MRD spring crop is usually planted in November/December and is harvested by March/April. This is the crop that helps policy makers project annual export volumes.

According to the Planning Department of MARD, as of mid-March 2009, the MRD Spring crop planting is estimated at 1.542 million hectares, which is 102 percent of their planned area. Early harvesting is recorded at 714,000 hectares. Right after the harvest, farmers quickly planted the new autumn crop, the planting for which has been reported at approximately 51,000 hectares in the provinces of Soc Trang and Dong Thap.

Graph 1.2 Vietnam Regional Rice Production



Source: USDA/FAS/OGA/IPA

Table 1.3 Rice Production in the Mekong Delta by Marketing Year

(000 ha; mt/ha; ,000 mt)

	2007 (Revised)			2008 (Estimate) (old)			2008 (Estimate) (new)		
	Area	Yield	Prod.	Area	Yield	Prod.	Area	Yield	Prod.
Winter	345	3.96	1,366	340	3.95	1,343	340	3.95	1,343
Spring	1,511	6.40	9,670	1,510	6.50	9,815	1,542	6.50	10,023
Autumn	2,056	4.56	9,375	2,000	4.55	9,100	2,000	4.55	9,100
Total	3,894		20,411	3,850		20,258	3,882		20,466

* Includes main Autumn and late Autumn

Source: MARD, Post estimate

DOMESTIC PRICES

Domestic rice prices depend strongly on Vietnam's export scheme. For CY 2009, the Vietnam Food Association (Vietfood) has fixed a minimum buying price of VND3,500 per kilogram (\$0.20 per kg) for winter-spring rice for its member-companies. Vietfood said on January 13 that farmers would not lose money despite the problems caused for Vietfood's exports by high domestic prices. Local prices have increased from VND3,200-3,500/kg in early January to the recent prices of VND4,200-4,500/kg, due to tight supplies and unusually high export demand in early 2009.

From March to June 2008, the government halted new sales, due to fears of rice shortages on account of the mid-January 2008 cold spells in the Red River Delta. Soon after this decision, higher world prices resulted in local speculators jumping into the domestic rice market, causing prices in Ho Chi Minh City to double within a few days in late April 2008. The spring crop's output, however, was not severely affected by the cold snap, and only ended up with delayed harvest rather than a significant loss. MARD reported this estimate in June 2008, when harvesting was nearly complete, after which the local paddy prices dropped sharply.

In the MRD, the Spring crop finished harvesting in March-April, when prices were still quite high. Farmers decided to plant the second crop (autumn) with a high yielding variety, with less attention to the post-harvest quality of the rice, and using almost all possible acreage for planting rice.

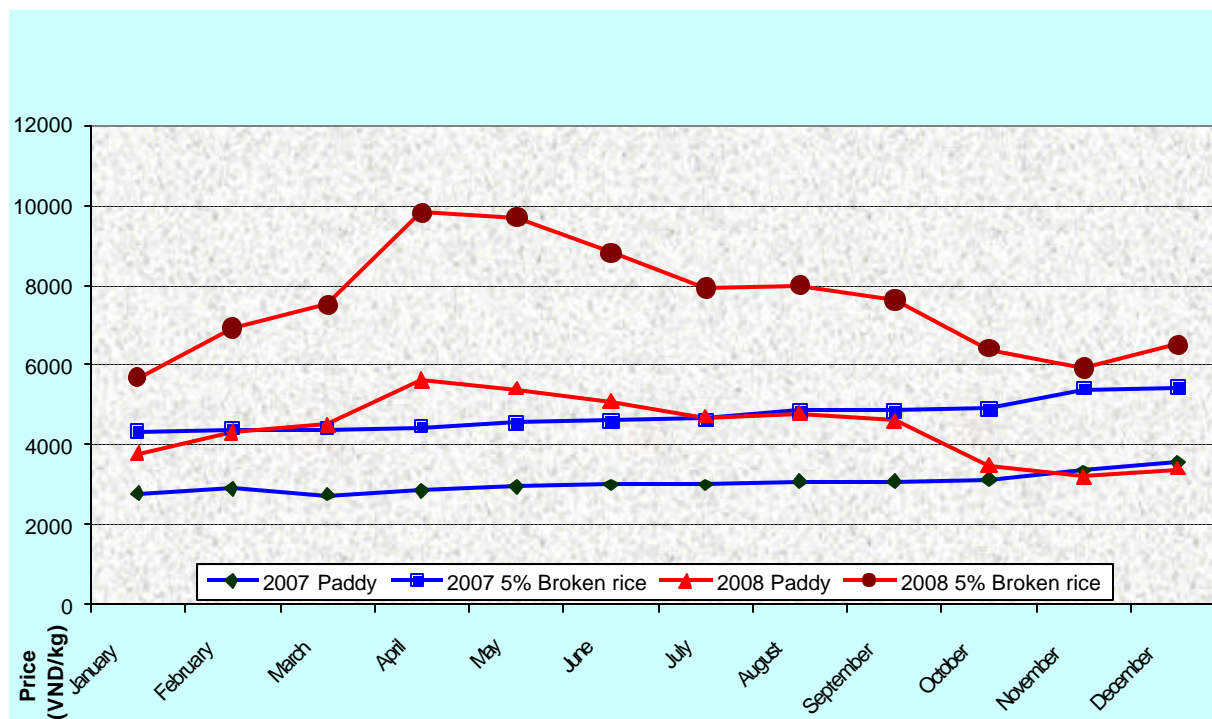
When the local price fever cooled down, export demand was also down due to the global economic crisis in the latter half of 2008, resulting in large unsold stocks of rice. Vietnamese rice exporters largely refrained from further purchases of low-quality Autumn crop rice, causing a dramatic drop in local prices from August to November 2008.

Table 1.4 Local Paddy and Export Rice Prices in the Mekong River Delta, 2007-2008
(VND/kg)

	2007		2008	
	Paddy	5% Broken Rice for export*	Paddy	5% Broken Rice for export*
January	2,750-2,800	4,300-4,350	3,700-3,800	5,600-5,700
February	2,850-2,900	4,350-4,400	4,200-4,300	6,800-6,900
March	2,700-2,750	4,300-4,400	4,400-4,500	7,300-7,500
April	2,800-2,850	4,400-4,450	5,400-5,600	9,600-9,800
May	2,900-2,950	4,500-4,550	5,200-5,400	9,500-9,700
June	2,900-3,000	4,500-4,600	4,900-5,100	8,700-8,800
July	2,900-3,000	4,600-4,650	4,500-4,700	7,700-7,900
August	3,000-3,100	4,800-4,850	4,700-4,800	7,800-8,000
September	3,000-3,100	4,800-4,850	4,500-4,600	7,400-7,600
October	3,050-3,150	4,800-4,900	3,400-3,500	6,000-6,400
November	3,300-3,350	5,300-5,400	3,100-3,200	5,600-5,900
December	3,450-3,550	5,400-5,450	3,300-3,400	6,400-6,500

**Price quoted alongside vessel, without bag*

Source: combined data/ Vietnam Food Association

Graph 1.3 Price Trend of paddy and milled rice in 2007 and 2008

1.2 CONSUMPTION

Vietnam's per-capita rice consumption is currently about 150 kg/year, which reflects a 12 percent drop from ten years earlier. This decline in per-capita rice consumption is consistent with other countries in Asia; as the economy develops, consumers have greater means and access to other foods, with per-capita consumption of rice tending to decline as income increases.

Vietnam's total rice consumption, however, is increasing steadily, in accordance with a yearly population growth of about one million people. Other factors in Vietnam's increased rice consumption are higher use in home-made animal and aquaculture feeds and the beer industry.

Post estimates an additional 100,000-150,000 tons of rice per year will be required to serve the increasing population. In some years, however, rice consumption may increase much more than this, since rice can be used as an alternative source for feed material, whereas other sources are limited or too expensive to import. CY 2008 is an example of this, where large unsold stocks of rice were used locally for processed foods and animal feed.

1.3 TRADE / COMPETITION

Trade

Vietnam has set a target to export 4.5-5.0 million tons of rice in MY 2008. This target will be adjusted at the end of the second quarter based on the country's production, prices, and the conditions of the domestic and global rice markets.

The Prime Minister requires MARD to liaise with major rice producing provinces, the Ministry of Industry and Trade, and Vietfood to balance consumption in the domestic and export

markets. The Prime Minister also asked the State Bank of Vietnam to direct large commercial banks to provide capital to purchase rice for domestic consumption and exports. The Ministry of Finance will team up with Vietfood to arrive at updates about rice prices in domestic and export markets.

Rice exports replaced finished wood products as the fifth biggest Vietnamese export product (by value) in 2008. Crude oil was the highest export value. Garment and textile exports were second, followed by footwear, and seafood and fisheries. The order of the top four exports was unchanged from the previous year.

Vietnam remains the world's second largest rice exporter. However, the Vietnamese rice trade has been criticized that its export sales prices have been much lower than those of the local market, which indicates poor marketing strategies and inconsistent sales prices. Large-volume contracts are often signed within the first two quarters of the year, locking in prices, which may be much higher when the contracts are actually fulfilled. Lack of storage capacity and financial support from bankers contributes to exporters not buying large volumes of rice to protect themselves from fluctuating market prices (see [GAIN report VM9014](#)).

According to Vietfood, in order to regulate the flow and prices for rice export, the government issues and maintains rice export registration regulations and the MEP.

Exports

Post forecasts CY 2009 export volume at 5.2 million tons, due mostly to Post's higher figures for carry-over stock. Vietnam's rice export target for CY 2009 is 4.5-5.0 million tons. The Philippines, the world's largest importer of rice, has already contracted for 1.5 million tons of the rice from Vietnam in two separate deals (500,000 tons and one million tons).

According to Vietfood, as of end-February 2009, the total volume of export contracts that Vietnam signed for deliveries through June 2009 is approximately 3.6 million tons. Major buyers include the Philippines, Malaysia, Iraq, and Cuba. At the end of January 2009, Vietfood stopped registering export contracts with delivery prior to July 1, 2009.

Vietnam's rice exports for CY 2008 were 4.65 million tons, an increase of 150,000 tons over CY 2007. The corresponding export value was double that of CY 2007, due to higher global prices, and reached a record \$2.9 billion. Asia remained Vietnam's largest export market; however, Asia's market share was down from 70 percent to 57 percent of exports by volume. The average export price for Vietnamese rice in CY 2008 was \$623 per ton, an increase of \$328 per ton over CY 2007.

The Philippines imported over 1.7 million tons of rice from Vietnam in CY 2008, remaining the single largest buyer.

Indonesia and Japan were noticeably absent from the Vietnamese rice export trough in CY 2008. Indonesia bought only 143,000 tons (down from a record 1.2 million tons the year before), and Japan bought only one tenth the previous year's volume.

Cuba is a regular buyer of Vietnamese rice, with annual volumes ranging from 400,000-500,000 tons via government contracts. In CY 2008, the volume was 491,000 tons, according to traders.

Remarkable changes were apparent in Vietnam's rice exports to African countries. The CY 2008 export volume to African countries increased by 85 percent over CY 2007. African countries are often considered as one destination, since export contracts are usually signed by international traders on a Free On Board (FOB) basis, and the cargoes are delivered by

large vessels that stop at several ports of different African countries. The exact volumes of Vietnamese rice that African countries import are therefore not clearly recorded by Vietnam.

Table 1.5 Vietnam Rice Export By Grade and Destination January - December 2008

	5%	10%	15%	25%	100%	Glutinous	Jasmine	Unknown	Total
ASIA	653,617	560	393,345	1,622,136	-	6,350	67,951	-	2,684,083
of which:									
Indonesia	-	-	142,622	-	-	-	-	-	142,622
Philippines	14,000	-	93,600	1,622,136	-	-	-	-	1,729,736
Malaysia	320,756	-	60,850	-	-	-	-	-	381,606
Singapore	25,394	560	8,375	-	-	-	-	-	34,329
East Timor	-	-	66,548	-	-	-	-	-	66,548
Iraq	193,500	-	-	-	-	-	-	-	193,500
Iran	59,876	-	-	-	-	-	-	-	-
Syria	-	-	-	-	-	-	-	-	-
Yemen	-	-	-	-	-	-	-	-	-
North Korea	-	-	-	-	-	-	-	-	-
Japan	-	-	11,350	-	-	-	-	-	11,350
Cambodia	-	-	-	-	-	-	-	-	-
Honking	-	-	-	-	-	-	-	-	-
Others*	40,091	-	10,000	-	-	6,350	67,951	-	124,392
AFRICA	813,357	10,360	63,000	55,600	172,839	-	26,240	20,000	1,266,396
In which: Tanzania	-	-	-	-	-	-	-	-	-
Senegal	39,000	-	-	-	-	-	-	-	39,000
Angola	66,000	-	-	-	-	-	-	-	66,000
Rwanda	-	-	-	-	-	-	-	-	-
Ghana	-	-	-	-	-	-	-	-	-
Uganda	-	-	-	-	-	-	-	-	-
Ivory coast	-	-	-	-	-	-	-	-	-
Reunion	-	-	-	-	-	-	-	-	-
West Africa	-	-	-	-	-	-	-	-	-
Mozambique	-	-	-	-	-	-	-	-	-
Yemen	-	-	-	-	-	-	-	-	-
Kenya	-	-	-	-	-	-	-	-	-
Congo	-	-	-	-	-	-	-	-	-
Libya	-	-	-	-	-	-	-	-	-
Algeria	14,800	-	-	-	-	-	-	-	14,800
others*	798,557	10,360	63,000	55,600	172,839	-	26,240	20,000	1,146,596
EUROPE and CIS	77,548	23,381	18,700	-	-	-	3,950	-	123,579
In which: Russia	26,975	-	8,000	-	-	-	-	-	46,515

		11,540							
Ukraine	7,946	9,825	-	-	-	-	-	-	17,771
Continue...	5%	10%	15%	25%	100%	Glutinous	Jasmine	Unknown	Total
Poland	26,233	2,016	-	-	-	-	-	-	28,249
others*	16,394	-	10,700	-	-	-	3,950	-	31,044
AMERICAS	-	-	14,004	491,348	-	-	-	-	505,352
In which: Cuba	-	-	-	491,348	-	-	-	-	491,348
Brazil	-	-	-	-	-	-	-	-	
AUSTRALIA	7,837	-	-	-	-	-	568	-	8,405
UNKNOWN	5,000	-	-	-	-	-	-	-	
TOTAL	1,662,359	34,301	489,049	2,169,084	172,839	6,350	98,709	20,000	4,652,691
* "Others" indicates that no clear destination is declared. It may/may not include the countries in the list of the same region									

Source: Trade

Imports

Rice import volumes from Cambodia and Laos for CY 2009 are estimated at around 450,000 tons.

Vietnam imports rice mostly from Cambodia, with a small volume of sticky rice coming from Laos. Most of Cambodia's shipments occur around the beginning of the calendar year immediately after its main crop is harvested. In Vietnam, imported paddy is used for local consumption after processing. No official data exists that would show the exact imported quantity, since paddy from Cambodia is transferred into Vietnam unofficially via small boats, making tracking difficult. Vietnamese farmers also have paddy rice investments in Cambodia for additional rice production, which is used mostly for local consumption in Vietnam.

1.4 POLICY

Vinafood 2, Vietnam's top rice exporter, aims to build rice trading markets and warehouses to expand storage capacity and ensure a stable supply in the MRD (see [GAIN report VM9014](#)). Media reports suggest that Vinafood 2 would invest more than VND 600 billion (\$35.3 million) to build a market complex in Can Tho city. The market, with a storage capacity of 200,000 tons, would be finished by the end of 2009, and would start buying, milling, storing, and shipping grain in 2010.

This year's rice export management differs from the year before because the Government of Vietnam is controlling the rice export volumes based not on monthly export targets, but rather an yearly export target, in order to avoid the trade disruption that occurred in 2008 and earlier years. Vietnamese rice exports are still controlled by the Rice Export Management Committee, which is headed by the Prime Minister and includes MARD, the Ministry of Industry and Trade, and Vietfood. The export contract register procedure and the MEP are still required.

The Vietnamese authorities regard the MEP as a vital measure to protect the profit margins of the rice growers. The purpose of the contract register procedure, besides controlling the export volume, is to help exporters schedule vessels for delivery.

2. CORN

STATISTICAL TABLES

Table 2.1 Vietnam's Production, Supply and Demand for Corn

Corn Vietnam	2007			2008			2009		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: May 2007			Market Year Begin: May 2008			Market Year Begin: May 2009		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Area Harvested	1,150	1,200	1,073	1,200		1,140			1,200
Beginning Stocks	398	87	398	398		22			52
Production	4,600	4,560	4,251	5,000		4,530			4,800
MY Imports	500	700	593	500		610			700
TY Imports	500	700	593	500		610			700
TY Imp. from U.S.	42	50	30	0		23			25
Total Supply	5,498	5,347	5,242	5,898		5,162			5,552
MY Exports	0	0	0	0		0			0
TY Exports	0	0	0	0		0			0
Feed Consumption	4,000	4,230	4,200	4,300		4,200			4,300
FSI Consumption	1,100	1,060	1,020	1,200		910			1,200
Total Consumption	5,100	5,290	5,220	5,500		5,110			5,500
Ending Stocks	398	57	22	398		52			52
Total Distribution	5,498	5,347	5,242	5,898		5,162			5,552
Yield	4.	4.	3.9618	4.		3.9737			4.

Table 2.2 Vietnam's Corn Import

Import Trade Matrix			
Country	Vietnam		
Commodity	Corn		
Time Period	Jan – Dec	Units:	Metric Tons
Imports for:	2007		2008
U.S.	29,700	U.S.	23,000
Others		Others	
India	72,000	India	330,000
Brazil	0	Brazil	123,000
Thailand	340,000	Thailand	91,000
Argentina	75,000	Argentina	14,500
Laos	12,000	Laos	14,500
Myanmar	10,000	Myanmar	6,500
China	36,000	China	0
Total for Others	545,000		579,500
Others not Listed	18,300		7,500
Grand Total	593,000		610,000

2.1 PRODUCTION

Post forecasts Vietnam's CY 2009 corn production at 4.8 million tons, thanks to both better yields and higher demand from the local feed industry.

According to MARD, Vietnam produced 4.5 million tons of corn in CY 2008, an increase of almost eight per cent over CY 2007. Planting area expanded by 6 percent, but the average yield only saw a one percent increase.

Corn is Vietnam's second biggest annual crop after rice in terms of production area. However, total corn production area is only one third that of rice.

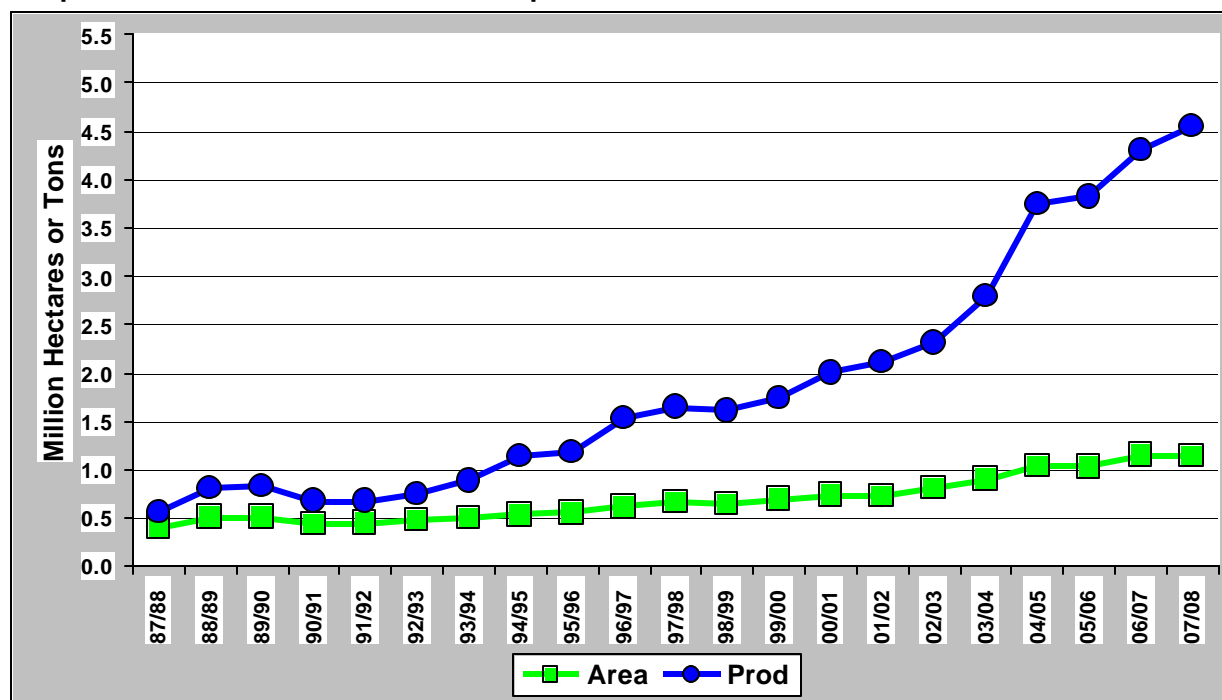
The government is focusing on increasing corn production to supply the local feed industry. With its lower market price and yield compared with rice and other crops, such as legumes, soybeans, and tobacco, corn does not seem an attractive crop to provide high income to the farmers. Significantly improving the average yield by using high-yielding varieties is the most likely way to achieve the government's objectives of increasing corn production to supply the feed sector.

Table 2.3 Vietnam Corn Production in Calendar year 2007-2009

	Unit	2007	2008		2009 Forecast
			estimate	revised	
Planting area	1,000 hectares	1,072.80	1,150.00	1,140.00	1,200.00
Yield	mt/ha	3.96	4.00	3.98	4.00
Production	1,000 mt	4,250.90	4,600.00	4,530.90	4,800.00

Source: MARD / Post Estimate

Graph 2.1 Vietnam's Historical corn production and area



Source: USDA/FAS/OGA/IPA

2.2 CONSUMPTION

Corn is used locally as material in the animal feed industry, due to the protein and energy it contains. Within the industry, corn is used mainly in hog and poultry feed, which make up about 65 percent of Vietnam's total feed consumption.

MARD data shows that there were no significant changes in production of hog and poultry industries in 2008, mainly because of disease.

2.3 TRADE / COMPETITION

While improvements in local yields should be possible over the coming years, competition from corn produced in countries with more land available for corn production and more conducive climates, will likely hinder increased Vietnamese corn production. Limits on storage and grain handling facilities are also determining factors for future growth.

Imports

Post forecasts CY 2009 corn imports to increase to around 700,000 tons, in response to strong demands for this key feed ingredient. Corn imports from the United States will likely stay at 25,000 tons, almost the same level as CY 2008, due to strong competition from India and South American countries.

Exports of U.S. corn to Vietnam depend a great deal on pricing, since they have high freight costs, especially when shipped in relatively small vessels. Panamax-size vessels do arrive in Vietnam loaded with mixed loads (corn, wheat, soybean meal, etc.) from U.S. competitors.

Vietnam's corn imports increased slightly from 593,000 tons in CY 2007 to 610,000 tons in CY 2008. High international corn prices forced some buyers to look for alternate sources like rice or the corn by-product, DDGS. Rice prices soared in early 2008, but came down again by the end of the year, resulting in large quantities of low-quality rice that could not be sold on export markets. This rice was used for the local feed industry. Imports of DDGS from the United States, according to U.S. Department of Commerce trade statistics, were about 160,000 tons in CY 2008.

U.S. corn exports to Vietnam in CY 2008 were 23,000 tons, compared with 30,000 tons in CY 2007, most likely due to the rise in global commodity prices that made U.S. corn uncompetitive into the Vietnam market. Most U.S. corn imports are shipped via container, since bulk vessel shipments are not freight advantageous. India is the top exporter of corn to Vietnam, followed by Brazil and Thailand.

Vietnam's import tariff on corn is zero percent for countries with Most Favored Nation status.

3. WHEAT

STATISTICAL TABLES

Table 3.1 Vietnam's Production, Supply and Demand for Wheat

Wheat Vietnam	2007			2008			2009		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Jul 2007			Market Year Begin: Jul 2008			Market Year Begin: Jul 2009		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Area Harvested	0	0	0	0		0			0
Beginning Stocks	0	0	0	0		0			0
Production	0	0	0	0		0			0
MY Imports	1,071	1,400	1,053	1,100		1,100			1,200
TY Imports	1,071	1,400	1,053	1,100		1,100			1,200
TY Imp. from U.S.	104	60	112	0		60			100
Total Supply	1,071	1,400	1,053	1,100		1,100			1,200
MY Exports	0	0	0	0		0			0
TY Exports	0	0	0	0		0			0
Feed Consumption	50	220	150	50		150			200
FSI Consumption	1,021	1,180	903	1,050		950			1,000
Total Consumption	1,071	1,400	1,053	1,100		1,100			1,200
Ending Stocks	0	0		0					
Total Distribution	1,071	1,400	1,053	1,100		1,100			1,200
Yield	0.	0.	0.	0.		0.			0.
TS=TD			0			0			0

Table 3.2: Vietnam's wheat Import

Import Trade Matrix			
Country	Vietnam		
Commodity	Wheat		
	Units: Metric Tons		
Time Period	Jul-Jun		July – Dec*
Imports for:	2007/2008		2008
U.S.	112,000	U.S.	28,000
Others		Others	
Argentina	6,000	Argentina	0
Australia	475,000	Australia	197,000
Black Sea	9,000	Black Sea	22,000
Brazil	11,000	Brazil	0
Canada	255,000	Canada	44,000
China	180,000	China	1,500
Total for Others	936,000		264,500
Others not Listed	5,000		5,000
Grand Total	1,053,000		594,500

* 2008 totals are for six months only

3.1 PRODUCTION

Vietnam does not produce wheat.

3.2 CONSUMPTION

Wheat-based foods are increasingly used in Vietnam. The use of wheat flour in food also relies on the influence of culinary cultures from other countries.

Chinese noodles, with a local name that sounds like the Chinese name “mi” (mee), and a kind of dim sum called “banh bao,” are very popular in Vietnam. “Mi” also means wheat in Vietnamese.

France also has a strong influence on Vietnamese cuisine. Baguette-style bread (so-called “banh mi”) are found more easily in Vietnam than in Thailand or other Southeast Asian countries. “Banh mi” is popular in Vietnamese daily diets, due to its many uses and low cost, which makes it suitable for many kinds of consumers, especially mid- and low-income. “Banh mi thit,” which is a baguette bread stuffed with butter or mayonnaise, liver paste, various kinds of sliced ham and mixed vegetables is, a typical Vietnamese “fast-food” that can be found at street vendor carts, small shops, and some restaurants in most places in Vietnam.

Instant noodles, locally called “mi goi,” are increasing their share of daily food consumption. Several foreign companies, such as Unilever, Uni-President, and Ace Cook have entered into the “mi goi” market.

Pizza, spaghetti, and other pasta are more widely used now, as part of a new westernized food trend. These foods, together with cookies, biscuits, and other bakery products show small but steady growth among wheat-based products.

Chinese noodles and instant noodles account for 40-45 percent of the total wheat flour consumption in Vietnam. Bread/baguettes consume about 30 percent, and about 10 percent is used for cookies, biscuits, and other bakery products. The remaining 15-20 percent goes to the animal feed industry.

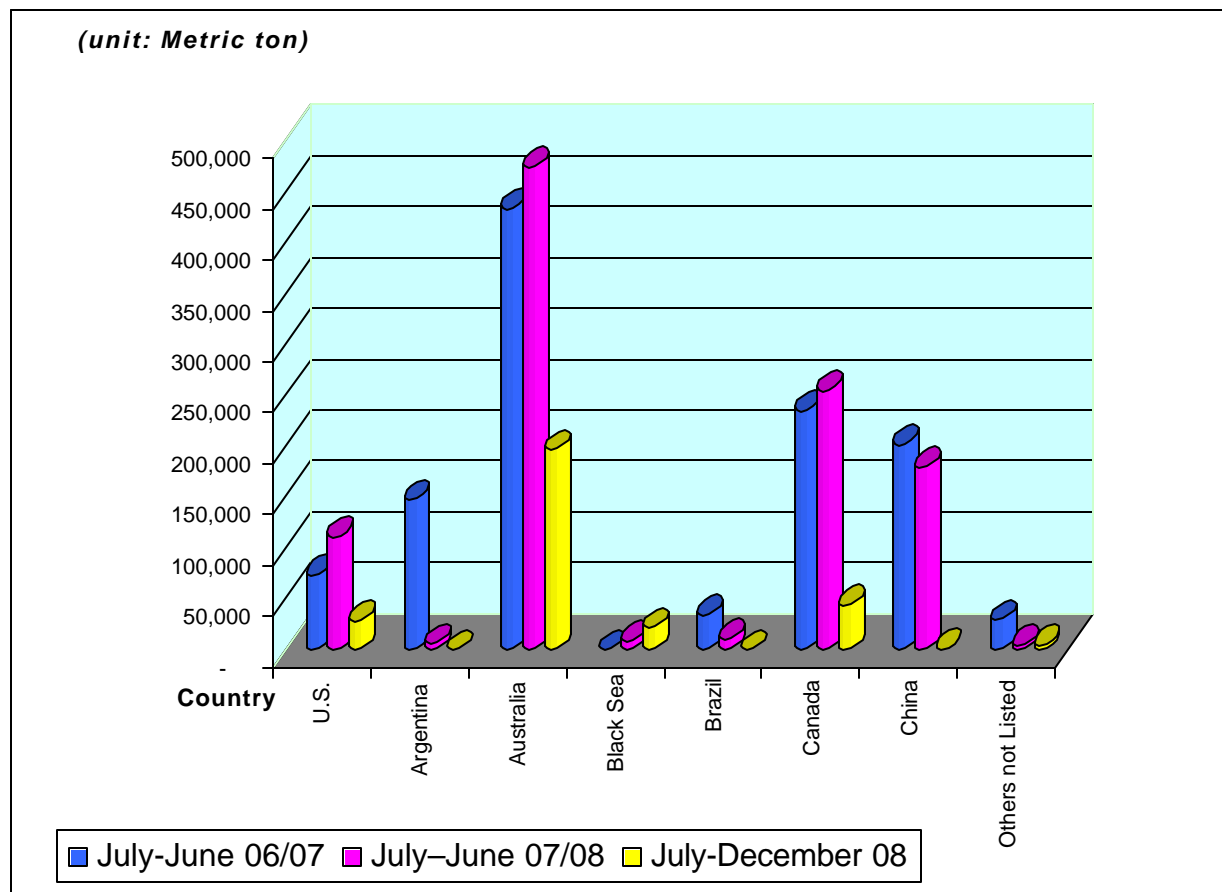
Wheat flour is a primary ingredient in the aquaculture feed industry. In MY 2007/2008, Vietnam’s aquaculture industry production showed a 15 percent increase over the previous year, to around 4.6 million tons.

There are 20 flour mills in Vietnam, with a total annual capacity to produce about 1.36 million tons of wheat flour from 1.8 million tons of wheat. However, many local private mills have a small capacity, are equipped with old machinery, and operate well below full capacity. These mills face strong competition from medium- to large-foreign invested mills with modern equipment.

3.3 TRADE / COMPETITION

Vietnam is a net importer of wheat and wheat flour.

Current import duties are 5 percent for wheat and 10 percent for wheat flour.

Graph 3.1 Vietnam Wheat Imports in MY 2006, 2007 and 2008

The Vietnamese consumer does not yet demand as high a quality of wheat as consumers in more developed markets, but that is changing. Noodles, which make up the largest share of wheat-based products in Vietnam, require flour with high gluten content.

Post estimates that Vietnamese MY 2008/2009 wheat imports will be about equal to the MY 2007/2008 import volume. Wheat imports from the United States, however, may decrease due to an anticipated increased Australian presence.

Traders saw a large volume of cheap Chinese wheat flour imported into Vietnam during the third quarter of CY 2008. The import volume through official trade channels was around 100,000 tons, but according to traders, the total import volume might have reached 150-160,000 tons through unrecorded border trade. The imported wheat flour prices were about VND2,000-3,000/kg cheaper than the local processed wheat flour. Those imports of wheat flour restrained wheat imports in the second half of CY 2008, which were only 50 percent of those in the second half of CY 2007.

Australian wheat still dominates the wheat import market in Vietnam, and supplied over 50 percent of the total wheat import volume in MY 2007/2008. Besides relatively low transport costs, Australian wheat is suitable for making flour that is used for the noodle industry, which accounts for the major share of Vietnam's wheat flour consumption. Chinese and Canadian western wheat were also competitive in Vietnam, as they share Australian wheat's quality characteristics and are used for other products such as baguettes, cookies, and aquaculture feed.

Vietnam's wheat imports for MY 2007/2008 reached 1.05 million tons, down from 1.16 million tons in MY 2006/2007, due to relatively high wheat prices in the first half of CY 2008. Wheat imports from the United States, however, reached a record volume of 112,000 tons, thanks to more competitive U.S. wheat prices as compared to Australia, due to that country's unfavorable harvest. Wheat marketing efforts are directed by the U.S. Wheat Associates' regional office in Singapore.

Table 3.3 US Wheat Export to South Asia (2007/2008 and year to date 2008/2009)

Country	2008/09	HRW	SRW	HRS	White	2007/08	HRW	SRW	HRS	White
Bangladesh	0.0	0.0	0.0	0.0	0.0	228.0	173.2	0.0	45.5	9.4
Cambodia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Indonesia	549.6	269.4	13.5	121.8	145.0	972.8	297.6	1.0	258.3	415.9
Malaysia	56.1	0.0	11.5	27.6	17.0	79.1	21.6	0.0	44.1	13.4
New Zealand	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pakistan	0.0	0.0	0.0	0.0	0.0	150.7	0.0	0.0	0.0	150.7
Philippines	1,421.2	32.9	19.3	734.6	634.4	1,670.3	12.2	18.4	884.8	754.9
Singapore	59.2	0.0	7.2	20.7	31.3	63.2	0.0	0.0	19.5	43.7
Sri Lanka	125.5	10.5	0.0	0.0	115.0	87.7	16.9	0.0	5.5	65.3
Thailand	439.4	79.8	0.0	207.0	152.5	407.9	79.7	0.0	216.4	111.9
Vietnam	31.9	0.0	8.1	8.2	15.6	100.6	34.0	5.5	43.3	17.8
Total	2,682.8	392.6	59.5	1,119.9	1,110.8	3,760.5	635.2	24.9	1,517.3	1,583.0

Source: U.S. Wheat Associates

RELEVANT REPORTS

[GAIN report VM9014](#)

[Grain and Feed Annual 2008](#)

[Grain and Feed Annual 2007](#)